

Our date
2010-10-19

Your date
2010-07-01

Our reference
Implementation of the Third Package

Your reference
10D/727



Statoil (U.K.) Limited

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Department of Energy and Climate Change
Attn.: Third Package Implementation Team
Area 4C, 3 Whitehall Place
SW1A 2HD London
United Kingdom

RE: Consultation on the Implementation of the Third Energy Package.

As a major importer of natural gas to the UK, owner of a share of the Aldbrough gas storage facility and supplier to the large Industrial and Commercial market, Statoil (UK) Ltd (STUK) is interested in the maintenance of a stable, efficient regulatory regime.

Consumer Protection

The current arrangements in the GB market have resulted in it being the most competitive in Europe. Any change to the established switching process should be carefully considered, and a clear distinction made between the domestic, retail and Industrial and Commercial (I&C) markets.

The contract negotiation and signing processes are different in all of these markets and it is vital that the characteristics are recognised. The implementation of a 14day cooling off period may have a benefit in the domestic market but if imposed on the, I&C market would have detrimental impact on the flexibility of current arrangements.

Many contracts in the, I&C market are negotiated over a number of weeks or in many cases months, with the pricing structures and administration fees being topics of much debate. In some cases customers are allowed to begin purchasing gas in the futures markets prior to first flow with their new supplier to enable them to make the most of market conditions.

By allowing I&C customers 14 days to 'cool off' from these negotiated and agreed contracts as a result of a swing in market price will undermine market practise and the value of a signed agreement.

Changes to standard contracts to include a cooling off period will almost certainly be required and would likely stop any trading activity until after the cooling off period. This will prevent I&C consumers taking advantage of many of the benefits of the current arrangements and be detrimental to competition.

Gas Infrastructure

The UK has the most liberalised gas market in Europe which has been developed with the help of relatively 'light touch' regulation particularly in respect to storage and Third party access exemptions. The ability for a facility to be granted a 'minor facilities' exemption (after being deemed as not

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technically and /or economically necessary for providing efficient access to the system) has been the key factor in encouraging the high levels of investment and new entrants to the UK market.

Statoil welcome the Government's view that those facilities that have been granted a minor facilities exemption should be exempt from the unbundling requirements of the Third package and appreciate the clarity the added statement on the intention to specify that the unbundling requirements would only apply to facilities deemed 'technically necessary' brings to the UK gas storage regime.

Statoil would like to see criteria for determining whether a facility is economically and/or technically necessary defined and published as soon as possible to offer some much needed transparency to the current regime and provide assurance to those facilities that are currently considering applying for an exemption to third party access a clear and transparent model to work to.

Statoil agree with the government's view that the UK is mostly compliant with the requirements of the third package and believe that the light touch approach to regulating the UK Third Party access regime for gas storage facilities should be maintained. To enable this Statoil support the view that any new requirements from the third package should be implemented via a new licensing regime. This would make the level of regulatory oversight consistent with other areas of the market. The regime should be designed to encourage investment in UK storage and not be unduly onerous, and not impinge on the contractual rights of existing storage facilities.

Statoil also welcome and support the view from government that facilities with existing minor facilities exemption would not be required to comply with the unbundling requirements under the third package as they have been deemed not technically or economically necessary for providing access to the system, giving much needed certainty to the current regime.

If you have any further questions or require any further information please contact me on the below numbers

Kind regards

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